



**CNOOC LIMITED**  
**中国海洋石油有限公司**

**2016 Strategy Preview**

**January 19, 2016**



# Disclaimer

This presentation includes “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, including statements regarding expected future events, business prospectus or financial results. The words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends” and similar expressions are intended to identify such forward-looking statements. These statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate under the circumstances. However, whether actual results and developments will meet the expectations and predictions of the Company depends on a number of risks and uncertainties which could cause the actual results, performance and financial condition to differ materially from the Company’s expectations, including those associated with fluctuations in crude oil and natural gas prices, the exploration or development activities, the capital expenditure requirements, the business strategy, whether the transactions entered into by the Group can complete on schedule pursuant to the terms and timetable or at all, the highly competitive nature of the oil and natural gas industries, the foreign operations, environmental liabilities and compliance requirements, and economic and political conditions in the People’s Republic of China. For a description of these risks and uncertainties, please see the documents the Company files from time to time with the United States Securities and Exchange Commission, including the 2014 Form 20-F filed on 22 April 2015.

Consequently, all of the forward-looking statements made in this presentation are qualified by these cautionary statements. The Company cannot assure that the results or developments anticipated will be realized or, even if substantially realized, that they will have the expected effect on the Company, its business or operations.



# Outline

- **Operating Environment and Strategy**
- **2016 Operating Guidance**
- **Outlook**

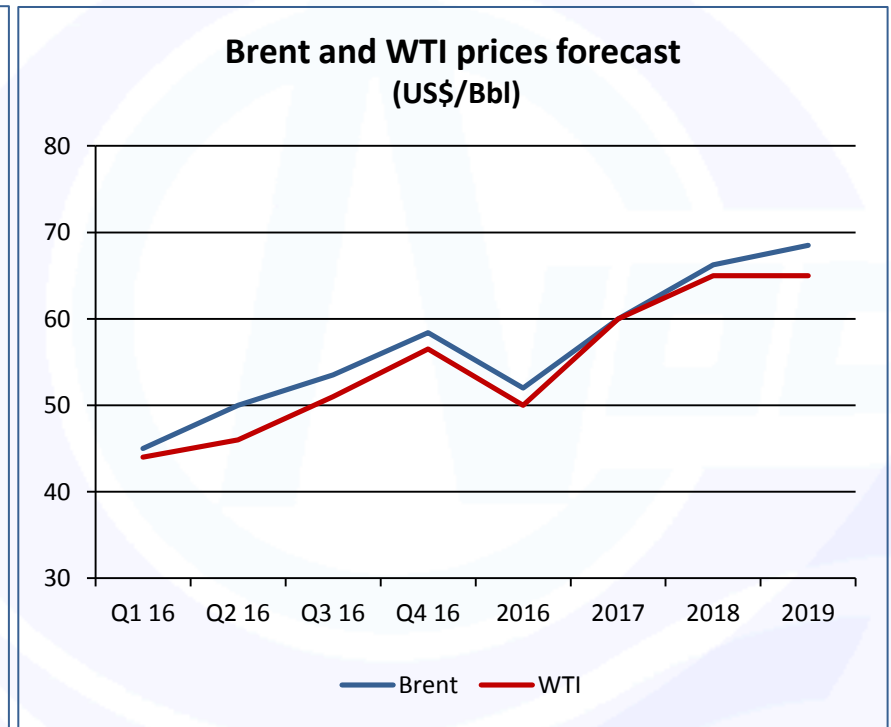
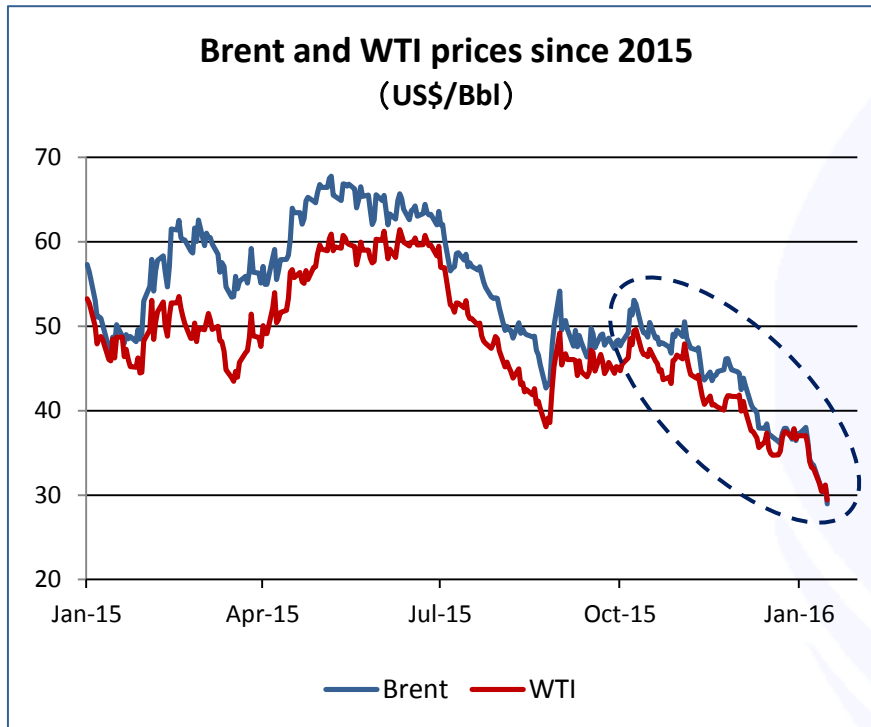


# **Operating Environment and Strategy**



# Oil Price Environment

- Oil market faces much longer downturn than expected



Source: Bloomberg (updated to Jan 15, 2016)



# Operating Strategy

## 2015

- Maintain prudent financial policy and investment decision
- Strengthen cost control, continue to improve quality and efficiency
- Ensure safe operation of producing projects
- Keep sanctioned projects on schedule and on budget with stringent quality control

## 2016

- Maintain prudent financial policy
- Continue to lower costs and increase efficiency through innovation in technology and management
- Ensure safe operation and strict compliance with regulations
- Focus on return by balancing short-term benefit and long-term development



We continued to adjust our operating strategy to manage effectively in current low oil price environment.



# 2016 Operating Guidance



# 2016 Overview

- **2016 Capex no more than RMB60 billion**
- **Continue to reinforce cost control**
- **Maintain healthy financial position**
- **Production target of 470-485 mmboe, 4 new projects to come on stream in 2016**
- **Maintain high standards on HSE performance**







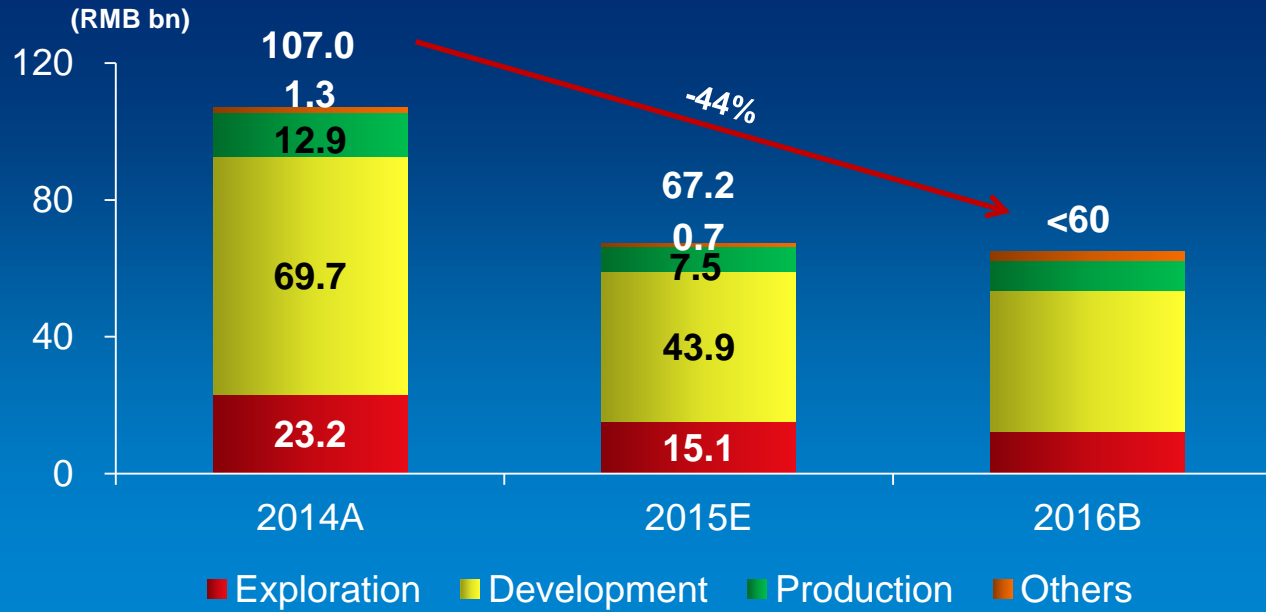
# Capital Spending Principles

- **Prudent investment decision**
- **Focus on cash flow**
- **Balance short-term return and long-term development**
- **Continue to optimize asset portfolio and capital allocation**

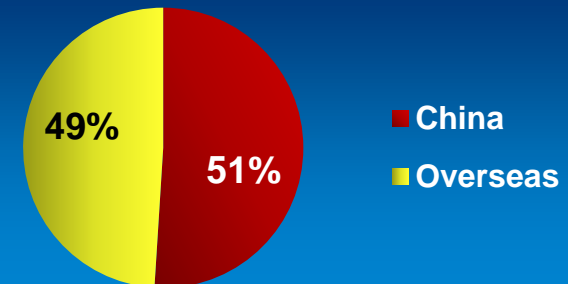
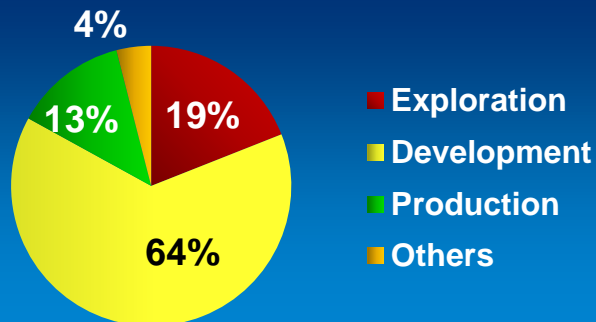




# Capex Plan



## 2016 Capex Plan Breakdown





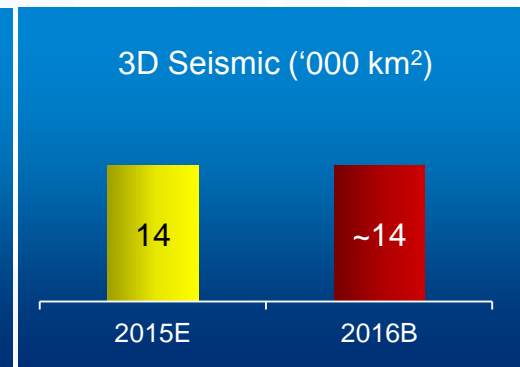
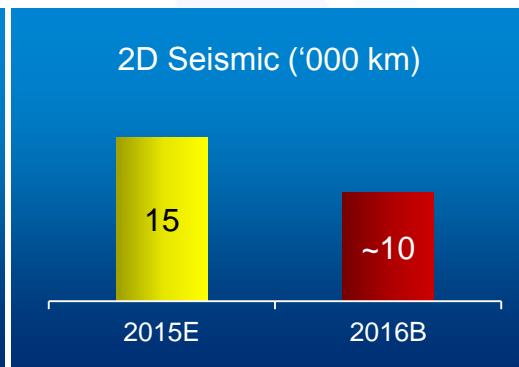
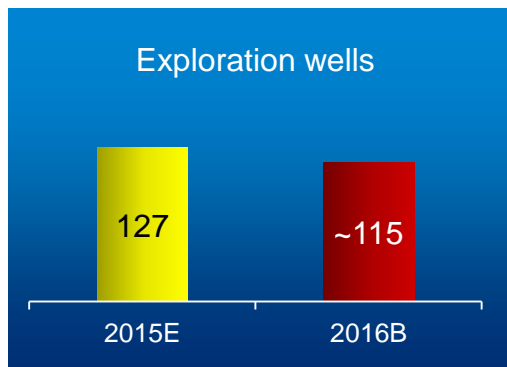
# Exploration

- Exploration Capex of ~RMB11.4 bn
  - Prioritize offshore China, and balance among mature areas, rolling areas and new areas
  - Focus on high-quality blocks and conventional O&G exploration overseas
- In prior years, exploration Capex represented ~20% of total Capex, which is at the high end compared to our international peers. We will continue to maintain an adequate exploration workload to support sustainable development in the mid-to-long term.





# Exploration Program



Note: Excludes unconventional exploration wells (19 estimated in 2015 and 23 planned for 2016)

**Strengthen value-driven exploration philosophy, targeting mid-to-large discoveries, and cautiously reducing investment in high-risk/high-cost wells.**



# Development and Production

- Development Capex of ~RMB38.1 bn
  - Ensure investment in projects under construction, and refine engineering plans
  - Cautiously evaluate pre-sanction projects, ensuring all are economically viable
- Production Capex of ~RMB7.9 bn
  - Strictly screen and assess infill drilling wells
  - Closely monitor oil prices, and maintain flexibility on infill drilling wells

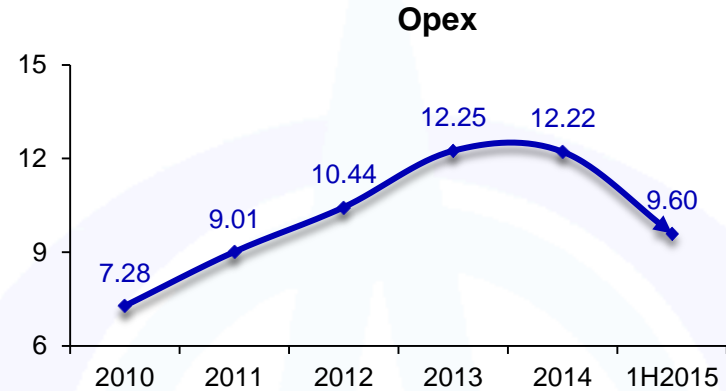
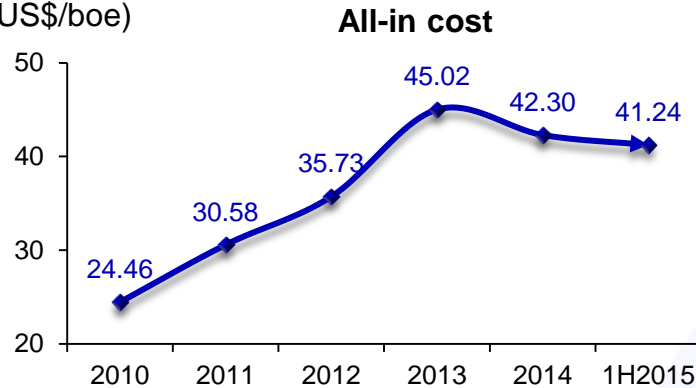






# Strengthen Cost Control

(US\$/boe)



- Remarkable results on cost control efforts in last couple of years
- Fully leverage the deflation of supply chain, and continue to lower cost and increase efficiency through technology and management innovation





# Healthy Financial Position

- More focus on cash flow management
- Maintain more competitive balance sheet position
- Balance capital expenditure, dividend payment and debt financing

## Solid Credit Rating

Moody's rating: Aa3

**MOODY'S**

“CNOOC Limited’s standalone credit strength is supported by its dominant position in the Chinese offshore oil & gas sector, its substantial reserves, its proven E&P track record, as well as its considerable financial flexibility.”

(Source: Moody’s report dated Dec 21, 2015)

S&P's rating: AA-

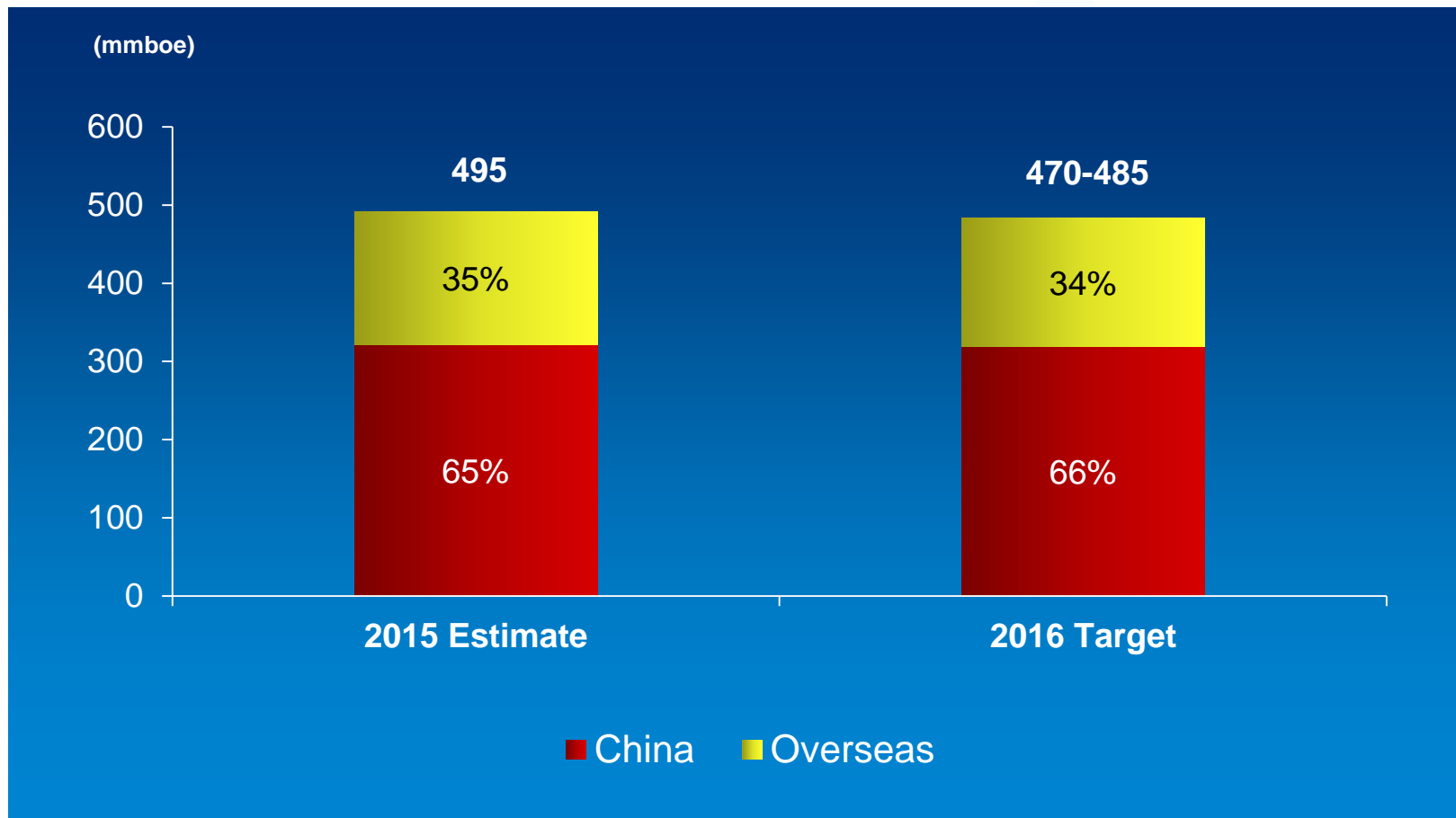
**STANDARD  
& POOR'S**

“We believe CNOOC's cost controls and reduced capital spending will help the company to counter low oil prices and keep its cash flow adequacy commensurate with the rating.”

(Source: S&P's report dated Apr 23, 2015)



# Production Target



**2016 production target of 470-485 mmboe, with oil and gas representing 82% and 18%, respectively.**





# New Projects in 2016

Project	Location	Expected Startup	Peak Production (boe/d)	Working Interests
Kenli 10-4 oil field	Bohai	First half	9,600	100%
Panyu 11-5 oil field	Eastern South China Sea	First half	2,800	100%
Weizhou 6-9/6-10 oil fields comprehensive adjustment	Western South China Sea	Second half	3,800	100%
Enping 18-1 oil field	Eastern South China Sea	Second half	11,800	100%



**4 new projects are scheduled to come on stream in 2016.  
Nearly 20 projects are currently under construction.**



# Outlook



# Three-year Rolling Target



**We will continue to adjust the three-year production target to reflect the changes in the operating environment.**



# Core Competitiveness

- **Dedication to E&P and established strength as the basin master Offshore China**
- **Organic growth from exploration to support sustainable growth**
- **Diversified portfolio throughout the world, balanced combination of short-term and long-term assets**
- **Strong execution and capability to deliver our commitments to shareholders and the market**

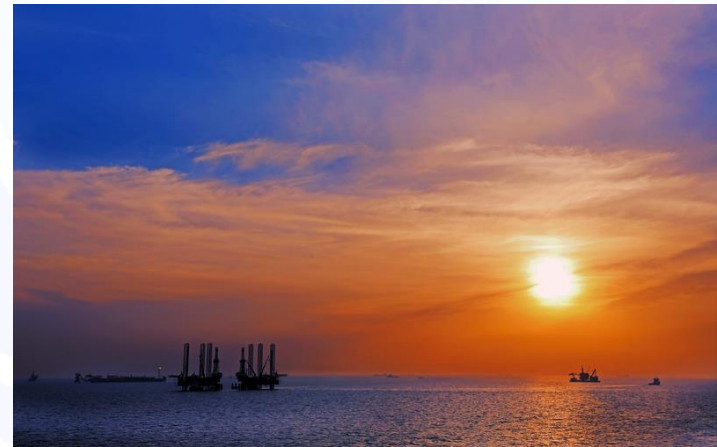




# Dividend Policy

## Constantly focus on shareholder return

- Dividend distribution will continue to consider the following factors:
  - Current and future earnings
  - Financial condition
  - Capital expenditure plan
  - Business development progress
- Benchmarking international peers' dividends





[www.cnooc.com](http://www.cnooc.com)